

## Message Text

LIMITED OFFICIAL USE

PAGE 01 SEOUL 06953 181043Z

15

ACTION EB-06

INFO OCT-01 EA-06 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-05 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-06 SP-02

CIEP-01 LAB-01 SIL-01 OMB-01 NSC-05 SS-15 STR-01

CEA-01 SEC-01 L-01 H-01 PA-01 PRS-01 USIA-06 DRC-01

/073 W

----- 034174

R 180945Z OCT 74

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 6514

INFO AMEMBASSY TOKYO

AMCONSUL HONG KONG

LIMITED OFFICIAL USE SEOUL 6953

EO 11652: N/A

TAGS: EFIN, KS, JA, HK

SUBJECT: KOREAN BANKS NOT SERIOUSLY AFFECTED BY SAKAMOTO  
BANKRUPTCY

1. WALL STREET JOURNAL ARTICLE OF OCT.14 PRESENTS  
ERRONEOUS AND EXAGGERATED VERSION OF IMPACT ON KOREA  
EXCHANGE BANK (KEB) AND TWO KOREAN TEXTILE MILLS OF  
SEPTEMBER BANKRUPTCY OF JAPANESE SAKAMOTO TEXTILE CO.  
OWNED BY KOREAN RESIDENT IN JAPAN. KEB PRESIDENT HAS  
ASKED WALL STREET JOURNAL AUTHOR PEARLSTINE TO ISSUE  
CORRECTION, HAS HELD MEETING WITH ALL FOREIGN BANKERS  
IN SEOUL AND IS SENDING LETTER TO ALL CORRESPONDENT BANKS.

2. AS RESULT OF DOLS 10 MILLION LOAN BY ITS HONG KONG  
BRANCH AND 4 BILLION YEN LOAN GUARANTEE BY ITS OSAKA  
BRANCH, KEB DOES HAVE DOLS 23 MILLION IN CLAIMS  
WHICH MAY TAKE LONG TIME TO COLLECT. KOREAN  
OFFICIALS, HOWEVER, STATE THAT CLAIMS ARE AMPLY  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SEOUL 06953 181043Z

COVERED BY DOLS 40 MILLION FIRST MORTGAGE ON TWO

KOREAN MILLS, THAT KEB HAS NO LIQUIDITY OR CAPITAL SHORTAGE AND THAT RECENT PAYMENT OF DOLS 13 MILLION ON YEN LOAN GUARANTEE IS SMALL COMPARED TO GROSS EXCHANGE RESERVES OF DOLS 980 MILLION. HONG KONG BRANCH IS REPORTEDLY IN NO TROUBLE AND EASILY ABLE TO BORROW LOCALLY TO COVER FROZEN DOLS 10 MILLION. ADDITIONAL KEB EXPOSURE TO SAKAMOTO HAS BEEN RUMORED BUT DENIED.

3. WALL STREET JOURNAL STATEMENT THAT FINANCE MINISTER KIM MADE HURRIED TRIP TO NEW YORK TO REASSURE BANKERS IS FALSE. AS PLANNED, KIM DID TALK TO BANKERS IN WASHINGTON DURING FUND/BANK MEETING ABOUT LARGE SYDICATED LOAN BUT KEB SITUATION REPORTEDLY DID NOT COME UP. BANK OF KOREA GOVERNOR KIM DID MAKE PLANNED VISIT TO NEW YORK AFTER MEETING BUT REPORTEDLY HELD ONLY NORMAL TALKS. AMERICAN BANKERS HERE KNOW OF NO CONCERN RE KEB CAPITAL. KEB TAKES LINE THAT NO ADDITIONAL CAPITAL NOW NEEDED AND THAT BY CHARTER GOVERNMENT STANDS FULLY BEHIND ALL KEB OPERATIONS.

4. CONTRARY TO WALL STREET JOURNAL REPORT OF "COLLAPSE", TWO KOREAN TEXTILE MILLS (PANGRIM AND YUNSUNG) ARE STILL OPERATING. MILLS ARE OWNED (82 PERCENT AND 100 PERCENT) BY SAKAMOTO (SUH KAP HO IN KOREAN) PERSONALLY RATHER THAN BY HIS JAPANESE COMPANY. KOREANS SEE NO PROBLEM IN KEEPING ALLEGED DOLS 100 MILLION IN MILL ASSETS SEPARATE FROM JAPANESE BANKRUPTCY AND IN CONTINUING MILL OPERATIONS, ALTHOUGH TEXTILE INDUSTRY DEPRESSED AND YUNSUNG SUFFERED LARGE FIRE LOSS LAST JANURY. KOREAN COMMERCIAL BANKS REPORTEDLY HAVE ABOUT DOLS 37 MILLION IN SECURED WON LOANS OUTSTANDING TO TWO COMPANIES BUT OFFICIALS STATE THAT THEIR OPERATIONS WILL NOT BE SERIOUSLY AFFECTED BY ANY DELAYS IN REPAYMENTS.

5. COMMENT: TANGLED AFFAIRS OF SAKAMOTO IN KOREA, JAPAN AND ELSEWHERE MAY TAKE YEARS TO LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 SEOUL 06953 181043Z

SETTLE, AND SINCE TEXTILE MILLS ARE NOT SELLING WELL THESE DAYS, KOREAN BANKS WILL PROBABLY SUFFER SOME ADVERSE LIQUIDITY EFFECT FOR SOME TIME. BUT SO FAR AS WE CAN DETERMINE, THERE HAVE BEEN NO SERIOUS EFFECTS SO FAR AND THIS AFFAIR BY ITSELF SHOULD BE MANAGEABLE, GIVEN THE MAGNITUDE OF TOTAL KEB AND KOREAN BANK OPERATIONS.  
SNEIDER

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PRESS COMMENTS, BANKRUPTCIES, BANKERS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 18 OCT 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** shawdg  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974SEOUL06953  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740297-0084  
**From:** SEOUL  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19741035/aaaabdpq.tel  
**Line Count:** 115  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** shawdg  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 15 JUL 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <15 JUL 2002 by kelleyw0>; APPROVED <19 MAR 2003 by shawdg>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** KOREAN BANKS NOT SERIOUSLY AFFECTED BY SAKAMOTO BANKRUPTCY  
**TAGS:** EFIN, KS, JA, HK, SAKAMOTO TEXTILE COMPANY  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005